Application No.: 09/955,544
Attorney Docket No.: 57046-1
First Applicant's Name: Gregory John Litster
Application Filing Date: 17 September 2001
Office Action Dated: 10 December 2008
Date of Response: 10 June 2009
Examiner: Olabode Akintola

REMARKS

Claims 13-24 are pending. By this amendment, no claims have been amended, cancelled, or added.

The Examiner indicated, that Applicants' last Response arguments were considered but deemed moot in view of the new ground(s) of rejection.

Applicants respectfully contend, however, that the Examiner's grounds are actually not new, and that the Examiner's dismissal of Applicants' prior rebuttal arguments in the complete absence of any discussion as to their merits or as to any bases as to why they were deemed moot and dismissed in view of the presently maintained rejection is improper practice by the Office.

Rejection under 35 U.S.C. § 103(a)

The Examiner has essentially maintained the prior rejection of claims 13-24, under 35 USC 103(a), as allegedly being obvious over Davis et al. (US 6,282,522), in view of Kuo (US 6,847,953) and further in view of Mertens (US Patent Application 2002/0133468).

In brief, the Examiner again alleges that Davis et al. teaches all of the steps of our claimed invention except for teaching:

> "processing the VCT transaction request by the VCT gateway to facilitate formation of a bank transaction request; sending the back transaction request from the VCT gateway to a bank; processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway as to whether the transaction has been approved; and sending the advice from the VCT gateway to the merchant and the purchaser; wherein if the transaction has been approved, providing the merchant ant the purchaser with a transaction authentication code."

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The Examiner again alleges that Kuo provides the above steps that are absent from Davis et al., except for the step of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved.

Mertens was not previously asserted and the Examiner has merely included it as allegedly teaching the step of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved. Previously, the Examiner had simply stated that this step was "well known in the art," such that the additional assertion of Mertens does not add any new "weight" or dimension to the Examiner's prior contentions and rejections.

Rather than responding with *any* degree of particularity to the arguments (*teaching away* and no motivation to combine or substitute) presented in Applicants' last Response, the Examiner has merely restated (top of page 5 of the Office Action) in conclusory fashion that "[a]pplicants' arguments with respect to the claims have been considered but are moot in view of the new ground(s) of rejection." In this respect, I note that the asserted art is essentially identical to that previously asserted and that the Examiner's "new ground(s)" merely amount to stating that:

> "[s]ince each individual element (or combination of elements or steps) and its function are shown in the prior art, albeit shown in separate references, the difference between the claimed subject matter and the prior art rest not on any individual element (or combination of elements or steps) or function but in the very combination itself—that is the substitution of the teachings of Kuo for the teachings of Davies (batch transactions and acknowledgment)" and thus, "the simple substitution of one known element (or combination of elements or steps) or function for another producing a predictable result[s] renders the claim obvious."

Essentially, therefore, the Examiner is contending that Applicants' presently-claimed invention is the simple substitution of the Kuo steps (formation of a bank transaction request; sending same from VCT gateway to bank, processing same, and sending advice from bank to VCT

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gateway and from there to merchant and purchaser) for particular Davis et al. steps (batch transactions and acknowledgment with no direct bank transaction requests) to produce a predictable result.

The Examiner, however, has explicitly ignored, and dismissed without comment, Applicants' prior rebuttal arguments regarding *teaching away*, absence of motivation to combine, and impermissible change in the principle of operation of Davis et al.

Applicants respectfully maintain, therefore, that the Examiner's analysis is fundamentally unsupportable, because (1) neither Davis nor Kuo teach the presently-claimed combination of steps (as previously acknowledged by the Examiner), and where (2) as argued in detail in Applicants' last Response, Davis ***teaches away*** from the very substitution urged by the Examiner by teaching batch processing in the context of a fundamentally different security card-mediated validation method. This *teaching away* is significant, because under the Graham factors (used for assessing obviousness under U.S. patent law), such *teaching away* reasonably reflects how the asserted references would be construed by a person of ordinary skill in the pertinent art.

As Applicants have previously argued, the "amounts available" of Davis et al. are stored on the "stored-value card" and the "security card" validates the debit, and one of ordinary skill would thus <u>not</u> be motivated to substitute the step of sending a bank transaction request to a bank to "ensure that the transaction is valid and the purchaser has sufficient funds to complete the transaction," as previously argued by the Examiner. Furthermore, such position is <u>in defiance of</u> the explicit teachings of Davis et al. regarding the benefits of batch processing using the concentrator 68. Doing so would change the <u>principle of operation</u> taught by Davis et al., which is

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impermissible because a proposed modification of a prior art reference cannot change its principle

of operation (see MPEP §2143.01(VI)).

Applicants, therefore, reaffirm and reassert Applicants' prior arguments of record in this

case, which are entirely consistent with current Appeal Board Decisions in this area.

APPLICABLE LAW:

In *KSR International Co. v. Teleflex, Inc*. 127 S.Ct. 1727, 2007 (herein referred to as

"*KSR*"), the Supreme Court stated that the Graham factors ((1) scope and content of the prior art,

(2) difference between claimed subject matter and the prior art, (3) the level of skill in the art, and

(4) where in evidence, so-called secondary considerations; Graham v. John Deere Co., 383 U.S. 1

(1966)) continue to define the inquiry that controls the obviousness analysis. Additionally, under

KSR, the TSM test is valid provided that such application does not require an overly rigid or

explicit application of the asserted prior art. Accordingly, as already stated in the record, and in

keeping with KSR, to establish a *prima facie* case of obviousness there must be: (i) a suggestion or

motivation, either in the references themselves or in the knowledge generally available to one of

ordinary skill in the art (POSITA), to modify the reference or to combine reference teachings; (ii)

a reasonable expectation of success; and (iii) the prior art reference(s) must teach or suggest all the

claim limitations. The teaching or suggestion to make the claimed combination and the reasonable

expectation of success must both be found in the prior art and knowledge generally available to

POSITA, and not based on Applicant's disclosure (*In re Vaeck,* 947 F.2d 488, 20 USPQ2d 1438

(Fed. Cir. 1991); and see MPEP §§ 2143-2143.03). Therefore, to support a conclusion that the

claimed invention is directed to obvious subject matter, either the references must expressly or

impliedly suggest the claimed invention or the examiner must present a convincing line of

reasoning as to why the artisan would have found the claimed invention to have been obvious in

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light of the teachings of the references. Moreover, there can be no reasonable expectation of

success where the art, alone or in combination, *teaches away* from the invention.

Appeal Board Decisions:

Applicant has herein provided copies of <u>KSR International Co. v. Teleflex, Inc.</u> 127 S.Ct.

1727, 2007, <u>Ex parte Smith</u>, Appeal 2007-1925 (June 25, 2007) and <u>Ex parte Catan</u>, Appeal-0820

(July 3, 2007) to facilitate review of the present Response and Amendment.

<u>Ex parte Smith</u> dealt with a mechanical invention directed to a pocket insert integrated into

a bound book, and an obvious rejection was based on a combination of two U.S. patents. The

appeal of the rejection for claim 1 turned on whether it would have been obvious to glue two

separate sheets to form a continuous two-ply seam, rather than folding one sheet to create a seam

along the folded edge. The appeal for additional claims turned on whether it would have been

obvious to improve a pocket insert by creating two pockets from a single pocket using an

additional line of adhesive.

<u>Ex parte Catan</u> dealt with an electrical arts invention directed to a consumer electronic

device that used bioauthentication methods to control access to sensitive information. A single

rejection was based on combination of three U.S. patents, where the first patent taught an

consumer electronic device with a password authentication, but no authentication information

provided by a bioauthentication device, a second patent taught a bioauthentication device, and a

third patent was used as a link to further teach substitution of a password (e.g., a PIN)

authentication with bioauthentication to access credit information.

According to the Board in these two cases the Supreme Court "reaffirmed principals based

on its precedent that combination of familiar element according to known methods is likely to be

obvious with it does no more than yield predictable results." <u>The Board stated that "the operative</u>

<u>question in this functional approach is thus whether the improvement is more than the predictable</u>

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use of prior art elements according to their established functions."

Under this functional approach, in view of the *first* Graham factor (scope and content of the prior art), the Board in each case presented detailed findings of fact showing where each recited claim element was found in the recited references, and also proceeded separately to analyze the scope and content of the prior art. In view of the *second* Graham factor (difference between claimed subject matter and the prior art), the Board determined in these cases that there was no difference between the claimed subject matter and the prior art but for the combination itself. In the case of In re Catan in considering the third Graham factor (the level of skill in the art), the Board considered the skill level and the state of the art in consumer electronics at the time of filing, and whether the combination itself did more than yield a predictable result. In In re Catan, the Board found that because adding bio-authentication to the base reference did no more to that device that if it were added to any other device, the function remains the same, and that the benefit (adding greater security to an authorization process) was predictable. Likewise, in In re Smith, the Board stated that the two references together teach that a pocket can be made by either method and yield a predictable result where the function remains the same. With respect to linking references in In re Catan, the Board used elements of the TSM test in determining obviousness, and used the linking reference (prior art teaching that PIN can be substituted by bioauthentication) to link the first two references (prior art electronic device with password authentication but no bioauthentication; and a prior art bioauthentication device) to provide motivation to combine the elements (based on the linking). The Board further stated that, in general, the obvious analysis (by the Examiner) should be make explicit to facilitate review; that is, they must be fully articulated and well-supported, and cannot be sustained by mere conclusory statements—there must be articulated reasoning with a rational underpinning to support any legal conclusion of obviousness.

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Analysis:

The Office Action correctly acknowledges that Davis et al. does not explicitly teach that the VCT gateway sends a bank transaction request to a bank, which processes the request and sends advice back to the VCT gateway as to whether the transaction has been approved. The VCT gateway in turn sends the advice to the merchant and the purchaser. Instead, referring to Figures 3 and 4, Davis et al. teaches a concentration point 68 that is a staging computer that communicates with any number of service payment terminals 50 to collect batches of transactions (column 4, lines 63-65, and column 13, lines 36-38). The concentration point then sends these transaction batches to a clearing and administration system for processing (column 13, lines 38-40). Once processed, batch acknowledgments, along with other system updates are sent to the terminals 50 via the concentration point (column 13, lines 40-42). The concentration point ensures a successful transfer of data between service payment terminals and the clearing and administration system, and prevents overloading of the clearing and administration system (column 5, lines 3-6).

Thus, Davis et al. explicitly teaches using a concentrator to batch transactions (and acknowledgments) instead of sending each transaction during a purchase, as recited in claim 13. Further, the reference **teaches away** from sending each transaction during a purchase to prevent overloading of the clearing and administration system.

Further, one would not be motivated to remove the concentrator as argued in the Office Action by a desire to "ensure that the transaction is valid and the purchaser has sufficient funds to complete the transaction" (page 3, last line, to page 4, line 2) - because the reference already explicitly teaches devices and methods for both ensuring the transaction is valid and that purchaser has sufficient funds.

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According to Davis et al., during a purchase, the client terminal communicates 236 with payment server 206, first by forwarding the draw request to the payment server. The draw request includes information read from the stored value card by a card reader 210 (column 15, lines 63-66). The payment server processes the draw request in conjunction with an associated security card (step 614 in Figure 11A) (column 16, lines 58-60). A microchip in the security card 220 enables the security card 220 to authenticate and validate the user's stored-value card. If a user stored-value card is accepted by the security card, and the stored-value card contains sufficient value, the security card guarantees that the merchant receives payment according to the amount deducted from the stored-value card (column 11, lines 48-57). The payment server receives a debit command and a security card signature 314 from the security card in the terminal. The security card signature is a value that uniquely identifies and validates security card 218 to prove to stored-value card 5 that the incoming debit command is a valid command from a real security card. This validation ensures that when the stored-value card is debited, that the financial totals in the security card are updated. Thus, the user of the stored-value card is guaranteed that a valid debit of the card has occurred. In step 616, the payment server sends the debit command along with the security card signature to the client terminal for the stored-value card to debit itself.

Thus, the amounts available are stored on the stored-value card and the security card validates the debit, and one would **not** be motivated to send a bank transaction request to a bank, as argued in the Office Action, by a desire to "ensure that the transaction is valid and the purchaser has sufficient funds to complete the transaction" (page 3, last line, to page 4, line 2). While the reference does state that traditional credit cards may be used in one embodiment, the reference fails to describe how such an embodiment would function with a security card because traditional credit cards do not store a monetary value that can be increased or debited. However, one could extrapolate that perhaps the security cards maintained a record of the card's balance because Davis

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et al. does mention updating <u>financial totals in the security card</u>. In any event, the reference already teaches a system that ensures both the transaction is valid and that purchaser has sufficient funds. Therefore, one would <u>not</u> be motivated to modify the references as suggested in the Office Action.

Further, if, in defiance of the explicit teachings of Davis et al., one were to remove the concentrator 68, the payment server 206 would continue to processes the draw request in conjunction with an associated security card, which would validate the debit. Communications between the client terminal 204, the payment server 206, and the merchant server 208 would be unaffected by the removal of the concentrator 68. In order to modify the teachings of Davis et al. to produce the device of claim 13, one would also have to disable the security card and stored-value card aspects of the system and make the transactions dependent upon advice received from the bank. Doing so would change the <u>principle of operation</u> taught by Davis et al., which is impermissible because a proposed modification of a prior art reference cannot change its principle of operation. See MPEP §2143.01(VI). Therefore, the proposed hypothetical combination of Davis et al. and Kuo does not render obvious the inventions of claims 13-24 and withdrawal of this rejection is respectfully requested.

Accordingly, the claims are all believed to be allowable. The Commissioner is hereby authorized to charge any fees believed necessary or credit any overpayment to Deposit Account No. 04 0258. The Examiner is encouraged to phone Applicants' attorney, Barry L. Davison, to resolve any outstanding issues and expedite allowance of this application.

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Davis Wright Tremaine LLP
1201 Third Avenue, Suite 2200
Seattle, Washington 98101-3045
Telephone: 206-757-8023
Fax: 206-757-7023

Respectfully submitted,
Gregory John Litster et al.
Davis Wright Tremaine LLP

/Barry L. Davison, Ph.D., J.D./
Barry L. Davison, Ph.D., J.D.
Attorney for Applicant
Registration No. 47,309